

2596 South Lewis Way Lakewood, Colorado 80227 303-292-2021 • FAX 303-292-1980 www.mountainstateslegal.org

June 26, 2014

VIA CERTIFIED U.S. MAIL, RETURN RECEIPT REQUESTED AND VIA EMAIL

Steve Bennett
Field Manager
Colorado River Valley Field Office
Bureau of Land Management
2300 River Frontage Road
Silt, Colorado 81652
sbennett@blm.gov

Re:

WillSource Enterprise, LLC's Request for Suspension of Operations and Production of Federal Oil and Gas Leases COC 58836, COC 58837, COC 58838, and COC 58839.

Dear Field Manager Bennett:

On behalf of WillSource Enterprise, LLC ("WillSource"), I am writing to request a Suspension of Operations and Production ("SOP") for four of WillSource's federal oil and gas leases (COC 58836, 58837, 58838, and 58839). Pursuant to 43 C.F.R. §§ 3103.4-4, 3165.1 and section 39 of the Mineral Leasing Act ("MLA"), WillSource respectfully requests an SOP effective June 1, 2014, the first day of the month in which the request was made. This SOP request is proper because WillSource has been denied the beneficial use of its leases due to federal agency actions, and granting the SOP will further the interest of conservation.

BACKGROUND

Lease COC 58839 was issued in 1996, with a primary term of ten years. Lease COC 58839 is held by production by the WillSource #1-13 Well. The WillSource #1-13 Well was spudded on July 23, 2004 and completed on November 16, 2004. On December 8, 2004, the BLM Grand Junction Field Office issued a memorandum providing that the WillSource #1-13 Well was capable of production in paying quantities and listing the status as shut in, waiting on pipeline. On January 20, 2005, the BLM Colorado State Office ("CSO") issued a notice providing that lease COC 58839 had been transferred from terminable status to nonterminable (producing) status.

Leases COC 58836, 58837, and 58838 were issued in 1996, each with a primary term of ten years. Leases COC 58836, 58837, and 58838 are part of the Willow Creek Unit (COC 67101X). On November 11, 2004, the Little Beaver # 1-20 Well, located on lease COC 58836, was completed by previous operator Delta Petroleum Corporation. On November 30, 2009, WillSource submitted an application for paying well determination and for the Little Beaver #1-20 Well. On September 21, 2010, nearly a full year later, the BLM determined that the Little Beaver #1-20 Well was capable of producing unitized substances in paying quantities and approved the Initial Mesaverde Formation Participating Area. The Participating Area extends into leases COC 58836, 58837, and 58838; thus, each lease is held by production by the Little Beaver #1-20 Well. The BLM Grand Junction Field Office also determined that the Little Beaver #1-20 Well is capable of production on a lease basis.

On June 25, 2010, WillSource submitted its Application for Permit to Drill ("APD") for the Northeast Haystack #1-17 Well. The Northeast Haystack #1-17 Well was to be drilled on lease COC 58837. On October 14, 2010, your office approved this APD. On September 4, 2012, the BLM received WillSource's sundry notice requesting an extension for its approved APD. On September 10, 2012, the BLM approved a two year extension for WillSource's approved APD, extending the expiration to October 14, 2014. A true and accurate copy of the sundry approving the extension of the APD to October 14, 2014 is attached here to as **Exhibit 1**.

On September 10, 2012, WillSource requested SOPs for leases COC 58836, 58837, 58838, and 58839. The SOPs were requested because WillSource was prevented from accessing its leases due to a sudden change in policies enforced by the United States Forest Service ("Forest Service"). WillSource had been paying to improve and maintain Forest Road 800, at the direction of the Forest Service, ever since its leases were first issued; however the Forest Service had abruptly notified WillSource that it was prohibited from using Forest Road 800, the only access road to its leases, until it paid a third-party engineer to design and oversee new road improvements to comply with stricter road engineering standards. WillSource was quite shocked to learn of these new requirements after working with the Forest Service for so many years. WillSource continued to make every effort to comply with the Forest Service's requests and complete the necessary road maintenance, but since 2011, WillSource has been prohibited from using the road to transport heavy equipment, leaving WillSource unable to beneficially use its leases. See e.g. Memo from Mark DeHaven of ERO Resources Corp. (third-party consultants hired by WillSource) to WillSource and Forest Service employees regarding Forest Road 800 and acknowledging that the study must be prepared and submitted before WillSource can use Forest Road 800 to access its projects. A true and accurate copy of this memo is attached hereto as Exhibit 2.

Furthermore, WillSource had previously agreed to hook up its wells to the Bull Mountain Pipeline, as owned by SG Interests and Gunnison Energy Corporation as opposed to constructing its own pipeline and processing facility. The Forest Service preferred this alternative, as it would minimize the footprint of WillSource's leases; however, beginning in 2012, SG Interests and Gunnison Energy Corporation sued each other regarding the Bull Mountain Pipeline and the attached processing facility. This litigation continues to date. The Bull Mountain Pipeline and attached processing facility have remained shut-in throughout the duration of the unresolved litigation. See Letter from M. Brad Robinson, President of Gunnison Energy Corporation to

Reed Williams, President of WillSource, Re: Bull Mountain Pipeline and Divide Creek Compressor Station (Aug. 31, 2012). A true and accurate copy of this letter is attached hereto as **Exhibit 3**. Despite the impediments preventing WillSource from realizing any beneficial use of its leases, by letters dated December 17, 2012, your office denied each of WillSource's SOP requests.

On January 7, 2013, WillSource timely filed State Director Review ("SDR") requests of the December 17, 2012 SOP denials. On January 31, 2013, the President of WillSource, Reed Williams, met with the CSO and gave an oral presentation on his SDR requests. By letters dated May 7, 2014 and May 8, 2014, the Colorado State Director upheld the original denial of WillSource's requests for SOPs, justifying the denials on the fact that WillSource's leases COC 58836, 58837, 58838, and 58839 are extended beyond their primary terms and held in "nonterminable (producing) status." A true and accurate copy of the SDR Decision dated May 7, 2014 is attached hereto as **Exhibit 4**. A true and accurate copy of the SDR Decision dated May 8, 2014 is attached hereto as **Exhibit 5**.

Additionally, on April 1, 2014, your office mailed WillSource a letter notifying it that a Notice of Intent to prepare an Environmental Impact Statement would be published in the Federal Register on April 2, 2014. Specifically, the letter provides that WillSource has leases that may be affected by this action, including COC 58836, 58837, 58838, and 58839. As expected, on April 2, 2014, the BLM published its "Notice of Intent to prepare an Environmental Impact Statement for the Previously Issued Oil and Gas Leases in the White River National Forest." 79 Fed. Reg. 18576 (Apr. 2, 2014). On May 16, 2014, WillSource submitted scoping comments to your office regarding this Notice of Intent. Specifically, WillSource objects that any further review pursuant to the National Environmental Policy Act ("NEPA") is necessary because its leases were properly offered for lease sale. 2 Furthermore, WillSource noted that it has already performed additional NEPA analysis, at its own expensive, in conjunction with previously submitted APDs. Finally, WillSource requested clarification as to the status of its leases and clarification regarding what activities will be allowed on the federal leases pending the outcome of any additional NEPA analysis. Such clarification is critical to WillSource, who is prevented from putting its leases to beneficial use until this office clarifies, what, if any, activities will be allowed to continue on federal oil and gas leases within the White River National Forest. To date, WillSource has not received any further correspondence from the BLM regarding what operations will be allowed to continue if this office decides to proceed with additional NEPA analysis.

¹ On January 7, 2013, WillSource also filed an SDR Request appealing this Office's decision to deny an SOP for WillSource's leases COC 58835, 58840, and 58841. By decision dated April 10, 2014, the Colorado State Director upheld the denial of WillSource's SOP request. This denial is currently being appealed to the IBLA, *WillSource Enterprise*, *LLC*, IBLA 2014-172 (filed May 10, 2014); thus, WillSource does not address leases COC 58835, 58840, and 58841 in this SOP request.

² Because WillSource has objected to the BLM's April 2, 2014 Notice of Intent, this SOP request does not constitute an admission that any further NEPA review is necessary for any of WillSource's leases.

REASONS WHY THE SUSPENSIONS SHOULD BE GRANTED

I. THE BLM'S ACTIONS AND CONTINUED DELAYS HAVE DENIED WILLSOURCE ALL BENEFICIAL USE OF ITS LEASES.

Section 29 of the MLA authorizes the Secretary of Interior to suspend operations and production on a mineral lease "in the interest of conservation." 30 U.S.C. § 209. The IBLA and federal courts have interpreted this to allow for suspensions:

(1) where some act, omission, or delay by a Federal agency has precluded beneficial use of the lease, such as delays imposed upon the lessee due to administrative actions addressing environmental concerns which have the effect of denying the lessee "timely access" to the property; or (2) in the interest of conservation, that is, to prevent damage to the environment or loss of mineral resources.

Harvey E. Yates Co., 156 IBLA 100, 105 (2001) (citing Robert D. St. John, 141 IBLA 147, 151–51 (1997) (internal citations omitted)). The IBLA has held specifically that "[t]he Secretary [of the Interior] is obliged to grant a suspension of operations and production when he takes an action or fails to act so that the lessee is prevented from commencing drilling operations." River Gas Corp., 149 IBLA 239, 248 (1999) (emphasis added) (citing Copper Valley Machine Works, Inc. v. Andrus, 653 F.2d 595, 604 (D.C. Cir. 1981); Consolidated Coal Co., 111 IBLA 381, 386 (1989); Solicitor's Opinion, M-36831: Suspension of Operations on Oil and Gas Leases, 78 I.D. 256 (1971); Texaco, Inc., 68 I.D.194, 2000 (1961)). Furthermore, Congress authorized the Secretary of the Interior to offer suspensions as "a remedy to the obvious inequity of allowing the lease term to run and requiring payment of rental and minimum royalty during the period when the lessee had been denied the use and enjoyment of his lease." River Gas Corp., 149 IBLA at 248.

WillSource has been continually prevented from realizing beneficial use of its leases by federal agencies. For example, in January 2011, the Forest Service first notified WillSource that it was required to pay a third-party engineer to study and redesign Forest Road 800. WillSource had already been paying to maintain and repair the road for years, and Forest Road 800 is WillSource's only available access to its leases COC 58836, 58837, and 58839. Nevertheless, the Forest Service assured WillSource that it would not be able to transport any heavy equipment across Forest Road 800 unless and until WillSource paid for new modifications. This is a blatant example of WillSource being completely prevented from realizing any benefits from its leases. Since receiving this news in January 2011, WillSource has been effectively precluded from realizing any beneficial use of its leases, because it has been unable to move the necessary drilling rigs, work over rigs, and other equipment out to its leases.

In October 2010, this office approved WillSource's APD for Northeast Haystack #1-17 Well. WillSource had every intention of spudding this Well in Spring 2011, but suddenly was unable to do so because of federal agency action. Although WillSource was able to extend the deadline of its APD until October 14, 2014, this office has advised WillSource that it would be unable to extend the deadline of WillSource's approved APD for a second time.

By letters date June 22, 2012, the CSO notified WillSource of its belief that the Willow Creek Unit had contracted in November 2009 and that some of the WillSource's leases had been eliminated on November 11, 2011. WillSource is currently appealing the CSO's determination to the IBLA; however, that appeal is pending and leaves WillSource with a great amount of uncertainty in planning development on the Willow Creek Unit. See also Section II, infra (granting the SOP furthers the interest of conservation). WillSource has continued to consider plans of development that maximize the benefits for the Willow Creek Unit as a whole; however, its attempts have been completely stymied by the BLM's delays in clarifying the status of the Willow Creek Unit. Willow Creek Unit.

After publishing its April 2, 2014 Notice of Intent to complete NEPA review, this office has allegedly received over 24,000 public comments. This office must review and consider all of the comments before moving to the next step in the NEPA analysis, demonstrating that NEPA review is a time consuming process. Thus, forcing WillSource to continue to pay annual minimum royalty and delay rental payments throughout the pendency of the BLM's NEPA analysis, not only denies WillSource any beneficial use of its leases; it also unjustly confers a benefit upon the federal agency to WillSource's detriment.

The foregoing demonstrates that WillSource is entitled to an SOP for leases COC 58836, 58837, 58838, and 58839, because WillSource has been and continues to be denied the beneficial use of its leases due to federal agency actions. WillSource also requests this SOP to preserve its approved APD for the Northeast Haystack # 1-17 Well. Allowing the APD to expire while the BLM considers whether or not it should undertake additional NEPA review would be yet another example of federal agency preventing WillSource from realizing any benefits from its leases, and such an action would unjustly enrich the BLM at WillSource's expense.

II. GRANTING WILLSOURCE'S SOP REQUEST IS IN THE INTEREST OF CONSERVATION.

Section 29 of the MLA authorized the Secretary of Interior to suspend operations and production on a mineral lease "in the interest of conservation." 30 U.S.C. § 209. The BLM "may suspend a lease in the interest of conservation where action cannot be taken on an application because of the time needed to comply with the requirements of [NEPA]." Prima Oil & Gas Co., 148 IBLA 45, 49 (1999) (citing John March, 98 IBLA 143, 147 (1987); Jones-O'Brien, Inc., 85 I.D. 89, 91 (1978); see Copper Valley, 653 F.2d at 600; Union Oil Co. v. Morton, 512 F.2d 743, 749 (9th Cir. 1975)). Furthermore, the interest of conservation has been found where the Secretary of the Interior has limited the drilling season after issuance of a lease,

³ WillSource Enterprise, LLC, IBLA 2014-104 (filed Feb. 20, 2014).

⁴ WillSource was forced to wait 357 days for the SDR decision regarding its appeal of the notification that WillSource's Unit had contracted, despite BLM regulation that provides "[t]he State Director shall issue a final decision within 10 business days of the receipt of a complete request for administrative reivew or, where oral presentation has been made, within 10 business days therefrom." 43 C.F.C. § 3165.3(d). WillSource was forced to wait 461 and 462 days for SDR decisions regarding its appeal of this office's denial of its previous SOP requests.

Copper Valley, 653 F.2d 595 (holding that lessee was entitled to an SOP in the interest of conservation, in the amount of time equal to the time it was prevented from developing its leases due to seasonal drilling restrictions imposed to preserve tunda/permafrost), or where a lessee is prevented from exploring or developing its leases due to the delay or failure by a federal agency to offer adjacent federal lands for lease. See Prima Oil & Gas Co., 148 IBLA at 51 (vacating BLM's denial of lessee's request for SOP where lessee was prevented from exploring or drilling in most efficient manner due to the Forest Service's failure to complete NEPA analysis of nearby federal lands, thereby making the adjacent federal lands unavailable for leasing).

Although WillSource has already demonstrated that it is precluded from any beneficial use of its leases due to federal agency actions, WillSource is also entitled to a discretionary grant of an SOP for its leases, to further the interest of conservation. Notably, WillSource is both lessee and operator of leases COC 58835, 58836, 58837, 58838, 58840, and 58841 which are all included in the Willow Creek Unit. Pursuant to the Willow Creek Unit Agreement, WillSource has a duty to prevent waste and maximize the benefits through development of the Willow Creek Unit. Maximizing development of the Willow Creek Unit may be difficult to accomplish given that the status of some of the leases in the Willow Creek Unit is currently contested. *See WillSource Enterprise, LLC*, IBLA 2014-104 (filed Feb. 20, 2014). Forcing WillSource to drill without first determining the status of all of the leases in the Willow Creek Unit could lead to wasteful or otherwise uneconomical development. Therefore, granting this present SOP is properly within the interest of conservation and the prevention of loss of mineral resources.

Finally, as already mentioned, the BLM "may suspend a lease in the interest of conservation where action cannot be taken on an application because of the time needed to comply with the requirements of [NEPA]." *Prima Oil & Gas Co.*, 148 IBLA at 49. Thus, because the BLM has published its Notice of Intent to prepare an Environmental Impact Statement, granting the requested SOP would further the interest of conservation.

CONCLUSION

WillSource has amply demonstrated that it is entitled to an SOP for leases COC 58836, 58837, 58838, and 58839. Pursuant to the MLA, the BLM has a non-discretionary duty to grant WillSource's SOP request because WillSource has and continues to be prevented from all beneficial use of its leases by actions taken by federal agencies. Moreover, the BLM retains discretionary authority to grant WillSource's request for an SOP in the interest of conservation.

Therefore, WillSource respectfully requests an SOP pursuant to 43 C.F.R. §§ 3103.4-4 and 3165, for leases COC 58836, 58837, 58838, and 58839, to protect its interests, including its approved APD, and to decrease its financial burdens throughout any continuing delays due to federal agency actions. WillSource further requests that the SOPs continue in effect until the status of the Willow Creek Unit is fully determined, including the time it takes for any and all appeals regarding the status of leases COC 58835, 58840, and 58841 to be resolved. WillSource also requests confirmation that it's approved APD may not expire while the SOP is in effect. Finally, WillSource reiterates that 43 C.F.R. § 3103.4-4 (d) suspends its requirement to continue making rental and minimum royalty payments while the SOP is in effect.

Sincerely,

MOUNTAIN STATES LEGAL FOUNDATION

Jaimie N. Cavanaugh Attorney for WillSource Enterprise, LLC

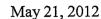
EXHIBIT 1

FORM APPROVED UNITED STATES OMB No. 1004-0137 DEPARTMENT OF THE INTERIOR Expires: July 31, 2010 5. Lease Serial No. BUREAU OF LAND MANAGEMENT COC58837 SUNDAY NOTICES AND REPORTS ON WELLS 6. If Indian, Allottee or Tribe Name Do not use his form for proposals to drill or to re-enter an Do not use This form for proposals to dim of the proposals. The pandored well. Use Form 3160-3 (APD) for such proposals. 7. If Unit of CA/Agreement, Name and/or No. SUBMIT IN TRIPLICATE - Other instructions on page 2. Willow Creek Unit 1. Type of Well 8. Well Name and No. Northeast Haystack #1-17 Other Oil Well Gas Well 9. API Well No. 05-077-08761-00 2. Name of Operator WillSource Enterprise, LLC 10. Field and Pool or Exploratory Area 3b. Phone No. (include area code) 3a. Address 730 17th Street, Suite 340 Denver, CO 80202 Exploratory 303-575-9696 4. Location of Well (Footage, Sec., T.R.M., or Survey Description) SENW 1552 FNL & 1350 FWL Sec 17, T9S, R90W 11. Country or Parish, State Mesa County, Colorado 12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA TYPE OF ACTION TYPE OF SUBMISSION Water Shut-Off Production (Start/Resume) Deepen Acidize ✓ Notice of Intent Well Integrity Reclamation Alter Casing Fracture Treat Other Extend Drilling New Construction Recomplete Casing Repair Subsequent Report Permit Plug and Abandon Temporarily Abandon Change Plans Water Disposal Plug Back Convert to Injection Final Abandonment Notice 13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof: If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.) The drilling permit for this well expires on October 14, 2012. WillSource is requesting a two year extension of the drilling permit to October 14, 2014. Please let this office know if additional information is required to extend the drilling permit. SEP 1 5 REC'D

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed), James Annable Title Agent Date 08/30/2012 Signature THIS SPACE FOR FEDERAL OR STATE OFFICE USE Petroleum Enginees Approved by Dale Sept. 10, 2012 Title Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would Colorado River Valley Field Office Office entitle the applicant to conduct operations thereon.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

EXHIBIT 2







To:

Reed Williams

Jim Annable Karla Mobley Jason Gross Rick Hesker

Nathan Bell Brent Ducray

Wayne Kirkpatrick

From:

Mark DeHaven

Re:

Site Review of WillSource Divide Creek Wells

An onsite meeting was held on Friday May 18, 2012 with the above list of attendees to review plans for road work on FSR 800 and actions on four WillSource well pads—Little Rock 1-19, Little Beaver 1-20, Haystack 1-17, and the 1-13. The following is a summary of key discussion points and plans for these sites.

Forest Service Road 800

WillSource is requesting an updated Road Use Permit from the Forest Service to begin well pad preparation and drilling for the 1-19, drilling wells on the 1-17, and workover on the 1-20 and 1-13. All oil and gas projects on the White River National Forest require geometric, structural and traffic volume analysis to be prepared and submitted for any Forest System Road that will be used to access projects. The Forest Service has provided WillSource with updated design criteria and traffic volume estimates. Nathan Bell will be responsible for designing geometric and structural road improvements based on anticipated vehicle size and traffic. Directional drilling may require larger rigs than those previously used, although a flex rig could be used that may be similar in size to previously used rigs. Nathan will also provide a traffic control plan. Wayne Kirkpatrick is providing survey data for road improvements and Brent Ducray will be implementing road improvements.

Stops were made at 5 locations that require minor improvements. Wayne was surveying specific milepost locations for these improvements.

- 1. A tight section of road curves requires minor straightening by shifting the road alignment slightly to the cut slope for about 60 feet. A block wall reinforced with a tie-back was one option discussed.
- 2. A tight corner requires widening on the inside of the curve.

Denver 1842 Clarkson St. Denver, CO 80218 303.830.1188

Boise 3314 Grace St. Boise, ID 83703 208,373,7983

Durango 1015 ½ Main Avenue Durango, CO 81301 970.422.2136

Western Slope P.O. Box 932 161 South 2nd St. Hotchkiss, CO 81419 970.872.3020

- 3. Karla's corner. A tight corner at an ephemeral drainage crossing needs widening. Additional widening to the fill slope side was discussed.
- 4. The inside drainage along a section of road requires ditch cleaning and grading.
- 5. A culvert in a flat low spot in the road needs shifting further west.

In addition, Karla and Nathan discussed other miscellaneous improvements along FSR 800 such as ditch cleaning and grading. Nathan will include these in the plans.

Workover for 1-20 and 1-13

WillSource intends to conduct workover operations on two previously drilled wells in the summer of 2012. It is anticipated that smaller truck-mounted rigs could be used for this work. Thus, some of the previously described road improvements may not be needed prior to the workover work. WillSource will provide Nathan with information on the anticipated equipment size for this work in the consideration of road improvements and road use permitting.

Little Rock 1-19

An environmental assessment is currently in process for constructing a new well pad and drilling at 1-19. Access to the new well pad requires improvements to a closed section of FSR 808.1, which is also the route of an existing WillSource gas and water pipelines. Several improvements will be needed to provide access to the well pad along about 0.25 miles of road, including minor realignment near the ridge to reduce the gradient. Nathan will be developing the road engineering from Wayne's survey data. The well pad layout and design have been previously reviewed and approved as part of the APD/SUP.

The proposed plan is to drill this well in the summer of 2012, sequential with completion of drilling of the Haystack wells as described below.

Little Beaver 1-20

This previously drilled well requires testing and access by a workover rig prior to delivery into the Ragged Mountain or Bull Mountain pipelines. Reed needs to confirm that these pipelines are ready for accepting delivery. The fence around the well site has been cut and damaged. Reed will either repair or remove the fence. Revegetation is in good condition.

The proposed plan is get this well on line in the summer of 2012.

Haystack 1-17

The well pad and access road have been previously completed. WillSource has the original APD for a vertical well and two recent APDs for directional drilling from the same pad. The access road is in good condition and no improvements are needed.

The proposed plan is to drill these wells in the summer of 2012.

Bull Mountain Pipeline Connection

The existing WillSource gas line located in the shoulder of FSR 800 crosses the recently completed Bull Mountain pipeline. WillSource plans on connecting the existing gas line to the Bull Mountain line to take products from the 1-20, 1-13, and other wells as completed. A route for the pipeline connection was surveyed by Wayne. The Forest Service will prepare a CEC for this connection after receiving the plans for connection. WillSource would like to complete the compliance for this as soon as possible for delivery of 1-17 products. The CEC process includes a 30-day public comment period.

Action Items

The following is a summary of action items and estimated dates.

- Wayne will provide survey data on FSR road improvements, 1-19 road access, and Bull Mountain connection by May 23.
- Nathan will provide an overview of road work and improvements by June 1 and construction details and traffic control for the Road Use Permit by June 12.
- Reed will provide the Bull Mountain interconnect plans to the Forest Service by June 1.
- The Forest Service will release the Notice of Proposed Action (NOPA) for the 1-19 by June 1. This document has a 30-day comment period.
- ERO Resources will complete a draft of the EA June 22.

EXHIBIT 3



GUNNISON ENERGY CORPORATION

An Oxbow Company

Delivered via Electronic Mail

August 31, 2012

Mr. Reed Williams
WillSource Enterprise LLC
730 – 17th Street, Suite 340
Denver, CO 80202

Re: Bull Mountain Pipeline and Divide Creek Compressor Station

Dear Reed:

This letter is being sent to you to confirm the verbal conversation you and I had about the Bull Mountain pipeline and processing facility being shut in. The pipeline and processing facility are currently shut in awaiting a resolution to a dispute between Gunnison Energy and SG Interests regarding the operations of the system. It is unclear when this dispute will be resolved and when the pipeline and processing facilities will become operational.

The pipeline and facilities have been commissioned and can begin taking natural gas from WillSource's Willow Creek Unit gathering system per the transportation and processing agreement contracted between WillSource and Gunnison as soon the before mentioned dispute is resolved.

I will keep you informed.

Yours very truly,

M. Brad Robinson

President

EXHIBIT 4



United States Department of the Interior

BUREAU OF LAND MANAGEMENT Colorado State Office 2850 Youngfield Street Lakewood, Colorado 80215-7210 www.co.blm.gov



In Reply Refer To: 3165 (CO-922) SDR CO-14-03

MAY - 7 2014

CERTIFIED MAIL - Return Receipt Requested

DECISION

WillSource Enterprise LLC 730 17th Street, Suite 340 Denver, CO 80202

DENIAL OF SUSPENSION UPHELD

By letter dated January 7, 2013, WillSource Enterprise LLC (WillSource), timely requested a State Director Review (SDR) in accordance with the regulations at 43 Code of Federal Regulations (CFR) § 3165.3(b). WillSource requested a review of a decision by the Bureau of Land Management (BLM), Colorado River Valley Field Office (CRVFO) to deny a request for suspension of operations and production (SOP) for three federal oil and gas leases, COC 58836, COC 58837, and COC 58838.

During an oral presentation on January 31, 2013, WillSource submitted additional documents in support of its SDR request, labeled "SDR Meeting Between BLM and WillSource Enterprise, LLC."

BACKGROUND

Federal leases COC 58836, COC 58837, and COC 58838 were issued in 1996, each with a primary term of 10 years, ending in 2006. The three leases were committed to the Willow Creek Unit, which was approved effective July 30, 2003.

By letter dated November 30, 2009, WillSource submitted applications for a paying well determination for the Little Beaver #1-20 well and an associated participating area within the Willow Creek Unit, COC67101X.

The BLM CSO determined that the Little Beaver #1-20 was capable of producing unitized substances in paying quantities, and approved Initial Mesaverde Formation Patricipating Area "A" for the Willow Creek Unit on September 21, 2010, effective November 11, 2004, pursuant to Section 11 of the Willow Creek Unit agreement. The participating area extends into leases COC 58836, COC 58837, and COC 58838.

WillSource applied for an SOP pursuant to 43 CFR 3103.4-4 for federal leases COC 58836, COC 58837, and COC 58838, on September 10, 2012. WillSource asserted that the company was being prevented from complying with lease requirements by matters beyond the operator's reasonable control, despite exercise of due diligence. In the decision dated December 17, 2012, the BLM CRVFO denied that request. The BLM CRVFO decision explained that "a suspension of all operations and production may be directed or consented to by the authorized officer only in the interest of conservation of natural resources." Following an analysis of the bases for WillSource's request, the BLM CRVFO concluded, "[t]here is no justification to grant a suspension of operations and production; therefore, WillSource's request for suspension of operations and production is denied."

On January 7, 2013, WillSource requested SDR of the denial of the request for SOP. WillSource asserts that the CRVFO "did not consider the actions of the pipeline companies in preventing the production of the natural gas resource... [or] statements from field representatives in telling WillSource field representatives that drilling rigs and workover rigs would not be allowed onto our leases without a certified road plan..."

The oral presentation on January 31, 2013, addressed several SDRs requested by WillSource, including SDR CO-12-10. The BLM CSO issued that decision in January 2014.

DISCUSSION

WillSource challenges the decision by BLM CRVFO to deny the company's request for an SOP on leases COC 58836, COC 58837, and COC 58838. The regulation in 43 CFR 3103.4-4 provides that "a suspension of all operations and production may be directed or consented to by the authorized officer only in the interest of conservation of natural resources." The CRVFO decision concluded that "WillSource has not been denied beneficial use of the lease[s] by the action of BLM or WRNF [White River National Forest] for conservation of resources. There is no justification to grant a suspension of operations and production; therefore, WillSource's request for suspension of operations and production is denied."

BLM CSO has determined that the Little Beaver #1-20 well is capable of producing unitized substances in paying quantities, and the associated participating area extends into each of the subject leases, which form the Willow Creek Unit. The BLM Grand Junction Field Office determined that the same well is capable of production on a lease basis. The subject leases are therefore extended beyond their primary term. Neither granting or denying the requested suspension will have any effect on the term of each lease.

¹ See 43 CFR 3107.2-3

WillSource's request for SOP cites no near term requirement, with associated due date or deadline, related either to the Willow Creek Unit or the individual leases, that would necessitate moving "drilling rigs and workover rigs" onto the subject acreage, or the initiation of shipments of produced gas through "the Bull Mountain Pipe Line." The need for an SOP, as a result of the difficulties specifically cited by WillSource, has therefore not been established.

The SOP request submitted by WillSource on September 10, 2012, stated in part that "[f]inal road designs will be provided to [WRNF] as soon as possible." The request further states that "[a] large, wet line called the Bull Mountain Pipe Line has finally been constructed across WillSource's acreage... The tap and riser are awaiting WillSource's connection. The connection design work is almost complete having received initial approval from the Forest Service and BLM representatives." Clearly, work directed towards the establishment of production from the subject leases is ongoing. The SOP requested by WillSource would, if approved, permit no beneficial use of the lease during the period of suspension—any such use would terminate the SOP. Both the road construction and pipeline connection activities mentioned in the WillSource request for suspension are considered by BLM to be "in the interest of conservation of natural resources," but neither activity could be conducted under a suspension.

The WillSource letter of September 10, 2012, specifically requested "a suspension of operations and production (SOP)," and noted that the request was being "filed pursuant to 3103.4-4." When a lessee requests a suspension based on conservation of natural resources, the suspension is committed to agency discretion.³ The denial of the subject request by BLM CRVFO, given the facts available to the agency; constituted a reasonable exercise of the agency's discretion.

DECISION

The decision by the BLM Colorado River Valley Field Office dated December 17, 2012, denying WillSource's September 10, 2012, request for a suspension of operations and production on federal leases COC 58836, COC 58837, and COC 58838, is upheld. The actual need for an SOP has not been established by WillSource, and granting the requested SOP would not be considered by BLM to be in the interest of conservation of natural resources.

Appeal Rights

This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR, Part 4 and the enclosed Form 1842-1. If an appeal is taken, your notice of appeal must be filed in this office (at the above address) within 30 days from receipt of this decision. The appellant has the burden of showing that the decision appealed from is in error.

If you wish to file a petition (request) for a stay (suspension) of the effectiveness of this decision during the time that your appeal is being reviewed by the Board; the petition for a stay must

² Solicitor's Opinion M-36953, 92 I.D. 293 (1985)

³ Hoyl v. Babbitt, 129 F.3d 1380 (10th Cir. 1997)

accompany your notice of appeal (see 43 CFR 4.21). A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and petition for a stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed with this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay

Except as otherwise provided by law or other pertinent regulation, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards:

- (1) The relative harm to the parties if the stay is granted or denied,
- (2) The likelihood of the appellant's success on the merits,
- (3) The likelihood of immediate and irreparable harm if the stay is not granted, and
- (4) Whether the public interest favors granting the stay.

If you have any questions regarding this response, contact Scott Sorensen, Geologist at (303) 239-3928.

Sincerely,

ACTING

Lonny R. Bagley
Deputy State Director

Division of Energy, Lands and Minerals

Attachment:

1 - Form 1842-1, "Information on Taking Appeals to the Board of Land Appeals" (1 pp)

cc: Field Manager, Colorado River Valley Field Office

Form 1842-1 (September 2006)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

INFORMATION ON TAKING APPEALS TO THE INTERIOR BOARD OF LAND APPEALS

	DO NOT APPEAL UNLESS
	1 This decision is adverse to you,
	AND
	2. You believe it is incorrect
IF YOU	J APPEAL, THE FOLLOWING PROCEDURES MUST BE FOLLOWED
1. NOTICE OF APPEAL	A person who wishes to appeal to the interior Board of Land Appeals must file in the office of the officer who made the decision (not the Interior Board of Land Appeals) a notice that he wishes to appeal. A person served with the decision being appealed must transmit the Notice of Appeal in time for it to be filed in the office where it is required to be filed within 30 days after the date of service. If a decision is published in the FEDERAL REGISTER, a person not served with the decision must transmit a Notice of Appeal in time for it to be filed within 30 days after the date of publication (43 CFR 4.411 and 4.413).
2. WHERE TO FILE	
NOTICE OF APPEAL	Burean of Land Management, Colorado State Office Division of Energy, Lands, and Minerals (CO-920) 2850 Youngfield Street, Lakewood, Colorado 80215
WITH COPY TO SOLICITOR	U.S. Department of the Interior, Regional Solicitor, Rucky Mountain Region 755 Parfet Street, Suite 151, Lakewood, Colundo, 80215
3. STATEMENT OF REASONS	Within 30 days after filing the <i>Notice of Appeal</i> , file a complete statement of the reasons why you are appealing. This must be filed with the United States Department of the Interior, Office of Hearings and Appeals, Interior Board of Land Appeals, 801 N. Quincy Street, MS 300-QC, Arlington, Virginia 22203. If you fully stated your reasons for appealing when filing the <i>Notice of Appeal</i> , no additional statement is necessary (43 CFR 4.412 and 4.413)
WITH COPY TO SOLICITOR	U.S. Department of the Interior Regional Solucitor, Rocky Mountain Region. 755 Parfer Street, Suite 151. Lakewood, Colorado 80215.
4. ADVERSE PARTIES	Within 15 days after each document is filed, each adverse party named in the decision and the Regional Solicitor or Field Solicitor having jurisdiction over the State in which the uppeal arose must be served with a copy of: (a) the Notice of Appeal, (b) the Statement of Reasons, and (c) any other documents filed (43 CFR 4.413).
5. PROOF OF SERVICE	Within 15 days after any document is served on an adverse party, file proof of that service with the United States Department of the Interior, Office of Hearings and Appeals, Interior Board of Land Appeals, 801 N. Quincy Street, MS 300-QC, Arlington, Virginia 22203. This may consist of a certified or registered mail "Return Receipt Card" signed by the adverse party (43 CFR 4.401(c)).
6. REQUEST FOR STAY	Except where program-specific regulations place this decision in full force and effect or provide for an automatic stay, the decision becomes effective upon the expiration of the time allowed for filing an appeal unless a petition for a stay is timely filed logether with a Notice of Appeal (43 CFR 4.21). If you wish to file a petition for a stay of the effectiveness of this decision during the time that your appeal is being reviewed by the Interior Board of Land Appeals, the petition for a stay must accompany your Notice of Appeal (43 CFR 4.21) or 43 CFR 2801.10 or 43 CFR 2881.10). A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the Notice of Appeal and Petition for a Stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (43 CFR 4.413) at the same time the original documents are filed with this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted. Standards for Obtaining a Stay. Except as otherwise provided by law or other pertinent regulations, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards: (1) the relative harm to the parties if the stay is granted or denied, (2) the likelihood of the appellant's success on the merits, (3) the likelihood of immediate and irreparable harm if the stay is not granted, and (4)

Unless these procedures are followed, your appeal will be subject to dismissal (43 CFR 4,402). Be certain that all communications are identified by serial number of the case being appealed

NOTE: A document is not liled until it is actually received in the proper office (43 CFR 4.401(a)). See 43 CFR Part 4, Subpart B for general rules relating to procedures and practice involving appeals.

4J CFR SUBPART 1821-GENERAL INFORMATION

Sec. 1821.10 Where are BLM offices located? (a) In addition to the Headquarters Office in Washington, D.C. and seven national level support and service centers. BLM operates 12 State Offices each having several subsidiary offices called Field Offices. The addresses of the State Offices can be found in the most recent edition of 43 CFR 1821.10. The State Office geographical areas of jurisduction are as follows:

STATE OFFICES AND AREAS OF JURISDICTION:

Alaska State Office — Alaska
Arizona State Office — Arizona
California State Office — California
Colorado State Office — Colorado
Eastern States Office — Arkansus, Iowa, Louisiana, Muniesota, Missouri
and, all States east of the Mississippi River
Idaho State Office — Montana, North Dakota and South Dakota
Nevada State Office — Nevada
New Mexico State Office — New Mexico, Kunsas, Okluhoma and Texas
Oregon State Office — Oregon and Washington
Utah State Office — Utah
Wyoming State Office — Wyoming and Nebraska

(b) A list of the names, addresses, and geographical areas of jurisdiction of all Field Offices of the Bureau of Land Management can be obtained at the above addresses or any office of the Bureau of Land Management, including the Washington Office, Bureau of Land Management, 1849 C Street, NW, Washington, DC 20240.

(Form 1842-1, September 2006)

EXHIBIT 5



United States Department of the Interior

BUREAU OF LAND MANAGEMENT Colorado State Office 2850 Youngfield Street Lakewood, Colorado 80215-7210 www.co.blm.gov



In Reply Refer To: 3165 (CO-922) SDR CO-14-04 MAY - 8 2014

CERTIFIED MAIL - Return Receipt Requested

DECISION

WillSource Enterprise LLC 730 17th Street, Suite 340 Denver, CO 80202

DENIAL OF SUSPENSION UPHELD

By letter dated January 7, 2013, WillSource Enterprise LLC (WillSource), timely requested a State Director Review (SDR) in accordance with the regulations at 43 Code of Federal Regulations (CFR) § 3165.3(b). WillSource requested a review of a decision by the Bureau of Land Management (BLM), Colorado River Valley Field Office (CRVFO) to deny a request for suspension of operations and production (SOP) for federal oil and gas lease COC 58839.

During an oral presentation on January 31, 2013, WillSource submitted additional documents in support of its SDR request, labeled "SDR Meeting Between BLM and WillSource Enterprise, LLC."

BACKGROUND

Federal lease COC 58839 was issued in 1996, with a primary term of 10 years, ending in 2006.

The WillSource #1-13 well was spud on the lease on July 23, 2004, and completed November 16, 2004.

On December 8, 2004, the BLM Grand Junction Field Office (GJFO) issued a memorandum, stating that the well was capable of production in paying quantities, and listing the status of the well as "[s]hut-in waiting on pipeline."

On January 20, 2005, the BLM CSO issued a notice stating that the account for lease COC 58839 had been "transferred from terminable (nonproducing) status to nonterminable (producing) status," consistent with the earlier BLM GJFO determination that the WillSource #1-13 well is capable of production in paying quantities.

WillSource applied for an SOP pursuant to 43 CFR 3103.4-4 for federal lease COC 58839, on September 10, 2012. WillSource asserted that the company was being prevented from complying with lease requirements by matters beyond the operator's reasonable control, despite exercise of due diligence, including the lack of "the necessary pipe line needed to transport natural gas..." In the decision dated December 17, 2012, the BLM CRVFO denied that request. The BLM CRVFO decision explained that "a suspension of all operations and production may be directed or consented to by the authorized officer only in the interest of conservation of natural resources." Following an analysis of the bases for WillSource's request, the BLM CRVFO concluded, "[t]here is no justification to grant a suspension of operations and production; therefore, WillSource's request for suspension of operations and production is denied."

On January 7, 2013. WillSource requested SDR of the denial of the request for SOP. WillSource asserts that the CRVFO "did not consider the actions of the pipeline companies in preventing the production of the natural gas resource... [or] statements from field representatives in telling WillSource field representatives that drilling rigs and workover rigs would not be allowed onto our leases without a certified road plan..."

The oral presentation on January 31, 2013, addressed several SDRs requested by WillSource, including SDR CO-12-10. The BLM CSO issued that decision in January 2014.

DISCUSSION

WillSource challenges the decision by BLM CRVFO to deny the company's request for an SOP on lease COC 58839. The regulation in 43 CFR 3103.4-4 provides that "a suspension of all operations and production may be directed or consented to by the authorized officer only in the interest of conservation of natural resources." The CRVFO decision concluded that "WillSource has not been denied beneficial use of the lease by the action of BLM or WRNF [White River National Forest] for conservation of resources. There is no justification to grant a suspension of operations and production; therefore, WillSource's request for suspension of operations and production is denied."

BLM GJFO has determined that the WillSource #1-13 well is capable of production in paying quantities. The BLM CSO affirmed that decision by transferring the lease "to nonterminable (producing) status." The subject lease is therefore extended beyond its primary term. Neither granting or denying the requested suspension will have any effect on the term of the lease.

WillSource's request for SOP cites no near term requirement, with associated due date or deadline, that would necessitate moving "a workover rig" onto the subject acreage, or the initiation of shipments of produced gas through "the Bull Mountain Pipe Line." The need for an

See 43 CFR 3107.2-3

SOP, as a result of the difficulties specifically cited by WillSource, has therefore not been established.

The SOP request submitted by WillSource on September 10, 2012, stated in part that "[a] large, wet line called the Bull Mountain Pipe Line has finally been constructed across WillSource's acreage... The tap and riser are awaiting WillSource's connection. The connection design work is almost complete having received initial approval from the Forest Service and BLM representatives." Clearly, work directed towards the establishment of production from the lease is ongoing. The SOP requested by WillSource would, if approved, permit no beneficial use of the lease during the period of suspension – any such use would terminate the SOP. The pipeline connection work mentioned in the WillSource request for suspension is considered by BLM to be "in the interest of conservation of natural resources," but such activity could not be conducted under a suspension.

The WillSource letter of September 10, 2012, specifically requested "a suspension of operations and production (SOP)," and noted that the request was being "filed pursuant to 3103.4-4." When a lessee requests a suspension based on conservation of natural resources, the suspension is committed to agency discretion. The denial of the subject request by BLM CRVFO, given the facts available to the agency, constituted a reasonable exercise of the agency's discretion.

DECISION

The decision by the BLM Colorado River Valley Field Office dated December 17, 2012, denying WillSource's September 10, 2012, request for a suspension of operations and production on federal lease COC 58839, is upheld. The actual need for an SOP has not been established by WillSource, and granting the requested SOP would not be considered by BLM to be in the interest of conservation of natural resources.

Appeal Rights

This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR, Part 4 and the enclosed Form 1842-1. If an appeal is taken, your notice of appeal must be filed in this office (at the above address) within 30 days from receipt of this decision. The appellant has the burden of showing that the decision appealed from is in error.

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² Solicitor's Opinion M-36953, 92 I.D. 293 (1985)

³ Hoyl v. Babbitt, 129 F.3d 1380 (10th Cir. 1997)

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- (4) Whether the public interest favors granting the stay.

If you have any questions regarding this response, contact Scott Sorensen, Geologist at (303)239-3928.

Sincerely,

Lonny R. Bagley

Deputy State Director

Division of Energy, Lands and Minerals

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Attachment:

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ce: Field Manager, Colorado River Valley Field Office

Form 1842-1 (September 2006)

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INFORMATION ON TAKING APPEALS TO THE INTERIOR BOARD OF LAND APPEALS

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NOTE: A document is not filed until it is actually received in the proper office (43 CFR-1,401(a)). See 43 CFR Part 4, Subpart B for general rules relating to procedures and practice involving appeals.

40 CFR SUBPART 1821-GENERAL INFORMATION

Sec. 1821.10 Where are BLM offices located? (a) In addition to the Headquarters Office in Washington, D.C. and seven national level support and service centers, BLM operates 12 State Offices each having several subsidiary offices called Field Offices. The addresses of the State Offices can be found in the most recent edition of 43 CFR 1821.10. The State Office geographical areas of jurisdiction are as follows:

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Alaska State Office — Alaska
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California State Office — California
Colorado State Office — Colorado
Eastern States Office — Arkansus, Iowa, Louisiana, Minnesota, Missouri
and, all States east of the Mississippi River
Idaho State Office — Idaho
Montana State Office — Montana, North Dakoia and South Dakoia
New Mexico State Office — New Mexico, Kansas, Oklahoma and Texas
Oregon State Office — Oregon and Washington
Ulah State Office — Utah
Wyonning State Office — Utah
Wyonning State Office — Wyoming and Nebraska

(b) A list of the names, addresses, and geographical areas of jurisdiction of all Field Offices of the Bureau of Land Management can be obtained at the above addresses of any office of the Bureau of Land Management, including the Washington Office, Bureau of Land Management, 1849 C Street, NW, Washington, DC 20240.

(Form 1842-1, September 2006)